

Senate Study Bill 1034 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED GOVERNOR BILL)

A BILL FOR

1 An Act relating to water quality by amending the wastewater
2 treatment financial assistance program, making
3 appropriations from the rebuild Iowa infrastructure fund,
4 creating a water quality infrastructure fund, establishing
5 a water quality financing program, providing for cost-share
6 programs for infrastructure on agricultural and urban land
7 under the water quality initiative, creating a water service
8 excise tax and a related sales tax exemption, and making
9 appropriations.
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 8.57, subsection 5, Code 2017, is amended
2 by adding the following new paragraph:

3 NEW PARAGRAPH. *Oh.* (1) Notwithstanding paragraph “c” of
4 this subsection, there is appropriated from the rebuild Iowa
5 infrastructure fund to the water quality infrastructure fund
6 created in section 8.57B the following amounts:

7 (a) For the fiscal year beginning July 1, 2017, and ending
8 June 30, 2018, four million three hundred thousand dollars.

9 (b) For the fiscal year beginning July 1, 2018, and ending
10 June 30, 2019, four million three hundred thousand dollars.

11 (c) For the fiscal year beginning July 1, 2019, and ending
12 June 30, 2020, eleven million five hundred thousand dollars.

13 (d) For the fiscal year beginning July 1, 2020, and ending
14 June 30, 2021, sixteen million five hundred thousand dollars.

15 (e) For the fiscal year beginning July 1, 2021, and ending
16 June 30, 2022, sixteen million five hundred thousand dollars.

17 (f) For the fiscal year beginning July 1, 2022, and ending
18 June 30, 2023, twenty-two million dollars.

19 (g) For the fiscal year beginning July 1, 2023, and ending
20 June 30, 2024, twenty-two million dollars.

21 (h) For the fiscal year beginning July 1, 2024, and ending
22 June 30, 2025, twenty-two million dollars.

23 (i) For the fiscal year beginning July 1, 2025, and ending
24 June 30, 2026, twenty-two million dollars.

25 (j) For the fiscal year beginning July 1, 2026, and ending
26 June 30, 2027, twenty-two million dollars.

27 (k) For the fiscal year beginning July 1, 2027, and ending
28 June 30, 2028, twenty-two million dollars.

29 (l) For the fiscal year beginning July 1, 2028, and ending
30 June 30, 2029, twenty-two million dollars.

31 (m) For the fiscal year beginning July 1, 2029, and ending
32 June 30, 2030, twenty-two million dollars.

33 (2) This paragraph “*Oh*” is repealed on January 1, 2031.

34 Sec. 2. NEW SECTION. 8.57B Water quality infrastructure
35 fund — creation — appropriations.

1 1. A water quality infrastructure fund is created within
2 the division of soil conservation and water quality of the
3 department of agriculture and land stewardship. The fund
4 shall consist of moneys appropriated from the rebuild Iowa
5 infrastructure fund pursuant to section 8.57, subsection 5,
6 paragraph "oh".

7 2. The fund shall be separate from the general fund of the
8 state and the balance in the fund shall not be considered part
9 of the balance of the general fund of the state. However, the
10 fund shall be considered a special account for the purposes
11 of section 8.53, relating to generally accepted accounting
12 principles.

13 3. Moneys in the fund are appropriated to the division
14 of soil conservation and water quality of the department of
15 agriculture and land stewardship for the exclusive purpose of
16 supporting water quality agriculture infrastructure programs
17 created in section 466B.43.

18 4. Notwithstanding section 8.33, moneys in the fund
19 that remain unencumbered or unobligated at the close of a
20 fiscal year shall not revert but shall remain available for
21 expenditure for the purposes designated. Notwithstanding
22 section 12C.7, subsection 2, interest or earnings on moneys in
23 the fund shall be credited to the fund.

24 5. This section is repealed on the date that all moneys
25 transferred to the water quality infrastructure fund from
26 the rebuild Iowa infrastructure fund pursuant to section
27 8.57, subsection 5, paragraph "oh", including any interest
28 or earnings on such moneys credited to the water quality
29 infrastructure fund, are expended by the division of soil
30 conservation and water quality of the department of agriculture
31 and land stewardship, and the balance of the water quality
32 infrastructure fund is zero. The director of the division
33 of soil conservation and water quality of the department of
34 agriculture and land stewardship shall notify the Code editor
35 of this occurrence.

1 Sec. 3. Section 16.134, Code 2017, is amended to read as
2 follows:

3 **16.134 Wastewater and drinking water treatment financial**
4 **assistance program.**

5 1. The Iowa finance authority shall establish and
6 administer a wastewater and drinking water treatment financial
7 assistance program. The purpose of the program shall be to
8 provide financial assistance to enhance water quality. The
9 program shall be administered in accordance with rules adopted
10 by the authority pursuant to chapter 17A. For purposes of
11 this section, "program" means the wastewater and drinking water
12 treatment financial assistance program and "committee" means the
13 water quality financing review committee created in subsection
14 9.

15 2. A wastewater and drinking water treatment financial
16 assistance fund is created and shall consist of appropriations
17 made to the fund and transfers of interest, earnings, and
18 moneys from other funds as provided by law. Moneys transferred
19 to the fund pursuant to section 16.134A are appropriated to the
20 authority for purposes of the program. Moneys in the fund are
21 not subject to section 8.33. Notwithstanding section 12C.7,
22 subsection 2, interest or earnings on moneys in the fund shall
23 be credited to the fund.

24 3. Financial assistance under the program shall be used
25 to install or upgrade wastewater treatment facilities and
26 systems and drinking water treatment facilities and systems,
27 including source water protection projects, and for engineering
28 or technical assistance for facility planning and design.

29 4. The authority committee shall ~~distribute~~ approve
30 financial assistance ~~in~~ from the fund in accordance with the
31 following:

32 ~~a. The goal of the program shall be to base awards on the~~
33 ~~impact of the grant combined with other sources of financing to~~
34 ~~ensure that sewer rates do not exceed one and one-half percent~~
35 ~~of a community's median household income.~~

1 ~~b. a.~~ Communities shall be eligible for financial
2 assistance by qualifying as Priority shall be given for
3 projects in which a disadvantaged community and is seeking
4 financial assistance for the installation or upgrade of
5 wastewater treatment facilities due to regulatory activity
6 by the department of natural resources and drinking water
7 treatment facilities. For purposes of this section, the term
8 "*disadvantaged community*" means the same as defined by the
9 department.

10 ~~e. b.~~ Priority shall be given to projects ~~in which the~~
11 meeting criteria established in section 455B.199B in which the
12 applicant seeks financial assistance is to be used to obtain
13 with financing under the water pollution control works and
14 drinking water facilities financing program pursuant to section
15 16.131 or other federal, or state, or private financing.

16 ~~d. c.~~ Priority shall also be given to projects whose
17 completion will provide significant improvement to water
18 quality in the relevant watershed.

19 ~~e. d.~~ Priority shall also be given to communities that
20 employ an alternative wastewater treatment technology pursuant
21 to section 455B.199C.

22 ~~f. e.~~ Priority shall ~~be also be~~ given to those communities
23 where sewer or water rates are the highest as a percentage of
24 that community's median household income.

25 f. Priority shall also be given to communities that employ
26 technology to address the latest version of the "Iowa Nutrient
27 Reduction Strategy" initially presented in November 2012 by the
28 department of agriculture and land stewardship, the department
29 of natural resources, and Iowa state university of science and
30 technology.

31 g. Financial assistance in the form of grants shall be
32 issued on an annual basis.

33 h. An applicant shall not receive a grant that exceeds five
34 hundred thousand dollars.

35 4A. A utility management organization formed under chapter

1 28E or operated by a rural water system organized under chapter
2 357A or chapter 504 shall be considered eligible for financial
3 assistance under the program.

4 5. The authority in cooperation with the department of
5 natural resources shall ~~share~~ provide information and resources
6 to the committee when the committee is determining the
7 qualifications of a community for financial assistance from the
8 fund.

9 6. The authority shall enter into agreements with financial
10 assistance recipients and distribute moneys under the program
11 pursuant to financial assistance determinations made by the
12 committee. The authority may use an amount of not more than
13 ~~four~~ one percent of any moneys appropriated for deposit in the
14 fund for administration purposes.

15 7. By October 1 of each year, the authority shall submit
16 a report to the governor and the general assembly itemizing
17 expenditures under the program during the previous fiscal year.

18 8. a. Beginning September 1, 2027, and every ten years
19 thereafter, a program review committee is established for
20 purposes of reviewing the wastewater and drinking water
21 treatment financial assistance program. By December 1 of the
22 same year, the program review committee shall file a report
23 with the governor and the general assembly that reviews the
24 effectiveness of the program during the prior ten fiscal years.

25 b. The program review committee shall consist of the
26 following members:

27 (1) The governor or the governor's designee.

28 (2) The secretary of agriculture or the secretary's
29 designee.

30 (3) The executive director of the authority or the executive
31 director's designee.

32 (4) The director of the department of natural resources or
33 the director's designee.

34 (5) Four members of the general assembly, with two from the
35 senate and two from the house of representatives and not more

1 than one member from each chamber being from the same political
2 party. The two senators shall be designated one member each
3 by the president of the senate, after consultation with the
4 majority leader of the senate, and by the minority leader of
5 the senate. The two representatives shall be designated one
6 member each by the speaker of the house of representatives,
7 after consultation with the majority leader of the house of
8 representatives, and by the minority leader of the house of
9 representatives.

10 c. Staffing services shall be provided by the authority.

11 9. a. A water quality financing review committee is
12 created consisting of the secretary of agriculture or the
13 secretary's designee, the executive director of the authority
14 or the executive director's designee, and the director of the
15 department of natural resources or the director's designee.

16 b. The committee shall review and approve or deny
17 applications for financial assistance under the wastewater
18 and drinking water treatment financial assistance program
19 established in this section.

20 **Sec. 4. NEW SECTION. 16.134A Water quality financial**
21 **assistance fund.**

22 1. A water quality financial assistance fund is created in
23 the state treasury as a revolving fund.

24 2. The fund shall consist of all of the following:

25 a. (1) Moneys transferred to the fund pursuant to section
26 423G.6.

27 (2) This paragraph "a" is repealed on January 1, 2030.

28 b. Appropriations made to the fund and transfers of
29 interest, earnings, and moneys from other funds as provided by
30 law.

31 3. For each fiscal year in the fiscal period beginning
32 July 1, 2017, and ending June 30, 2029, there is appropriated
33 the following percentages of the balance of the fund for the
34 following purposes:

35 a. Forty percent to the Iowa finance authority to support

1 the wastewater and drinking water treatment financial
2 assistance program created in section 16.134.

3 *b.* Forty-five percent to the Iowa finance authority to be
4 credited to the water quality financing program fund created
5 pursuant to section 16.144.

6 *c.* Fifteen percent to the division of soil conservation
7 and water quality of the department of agriculture and land
8 stewardship to support the water quality urban infrastructure
9 program created in section 466B.44.

10 4. Moneys in the fund are not subject to section 8.33.
11 Notwithstanding section 12C.7, subsection 2, interest or
12 earnings on moneys in the fund shall be credited to the fund.

13 Sec. 5. NEW SECTION. 16.142 **Definitions.**

14 As used in this part, unless the context otherwise requires:

15 1. "*Cost*" means all costs, charges, expenses, or other
16 indebtedness incurred by a loan recipient and determined by
17 the authority as reasonable and necessary for carrying out
18 all works and undertakings necessary or incidental to the
19 accomplishment of any project.

20 2. "*Eligible entity*" means a municipality or a landowner,
21 as determined by the authority, a public utility as defined
22 in section 476.1, or a rural water district or rural water
23 association as defined in section 357A.1.

24 3. "*Loan recipient*" means an eligible entity that has
25 received a loan under the program.

26 4. "*Municipality*" means a governmental body such as a state
27 agency or a political subdivision of the state. Municipality
28 includes but is not limited to a city, city utility, county,
29 soil and water conservation district, sanitary district, a
30 subdistrict of any of the foregoing districts, a state agency,
31 or other governmental body or corporation empowered to provide
32 sewage collection and treatment services or drinking water, or
33 any entity jointly exercising governmental powers pursuant to
34 chapter 28E or 28F, or any other combination of two or more
35 governmental bodies or corporations acting jointly under the

1 laws of this state in connection with a project.

2 5. "*Program*" means the water quality financing program
3 created in this part.

4 6. "*Project*" means any combination of improvements,
5 structures, developments, tasks, actions, constructions,
6 modifications, operations, or practices designed to improve
7 water quality that are proposed by an eligible entity and
8 approved by the authority. "*Project*" includes but is not
9 limited to any of the following:

10 a. A project meeting the requirements of part 2 of this
11 subchapter.

12 b. A project, operation, or practice undertaken or carried
13 out to address watershed protection, flood prevention, or water
14 quality improvement.

15 c. A project meeting the requirements of a sponsor project
16 under section 455B.199.

17 Sec. 6. NEW SECTION. 16.143 Water quality financing
18 program.

19 1. The authority, in cooperation with the department of
20 natural resources and the department of agriculture and land
21 stewardship, shall establish and administer a water quality
22 financing program. The purpose of the program shall be to
23 provide financial assistance to enhance the quality of surface
24 water and groundwater, particularly by providing financial
25 assistance for projects designed to improve water quality
26 by addressing point and nonpoint sources, with a higher
27 prioritization provided to collaborative efforts.

28 2. The authority shall determine the interest rate
29 and repayment terms for loans made under the program, in
30 cooperation with the department of natural resources and
31 the department of agriculture and land stewardship, and the
32 authority shall enter into loan agreements with eligible
33 entities in compliance with and subject to the terms and
34 conditions of the program as described in this part.

35 3. The authority may charge loan recipients fees and assess

1 costs against such recipients necessary for the continued
2 operation of the program. Such fees and costs shall not exceed
3 the costs directly associated with the administration of the
4 program. Fees and costs collected pursuant to this subsection
5 shall be deposited in the appropriate fund or account created
6 in section 16.144.

7 4. The program shall be administered by the authority in
8 accordance with rules adopted by the authority pursuant to
9 chapter 17A.

10 Sec. 7. NEW SECTION. 16.144 Water quality financing program
11 fund — appropriation — other funds.

12 1. a. A water quality financing program fund is created
13 and shall consist of appropriations made to the fund, moneys
14 credited to the fund pursuant to section 16.134A, and transfers
15 of interest, earnings, and moneys from other funds as provided
16 by law. The fund shall be administered by the authority as
17 a revolving fund. Moneys in the fund are appropriated to
18 the authority for purposes of the program. Notwithstanding
19 section 8.33, moneys in the fund that remain unencumbered or
20 unobligated at the close of a fiscal year shall not revert
21 but shall remain available for expenditure for the purposes
22 designated. Notwithstanding section 12C.7, subsection 2,
23 interest or earnings on moneys in the fund shall be credited
24 to the fund.

25 b. The authority shall use the moneys in the fund to provide
26 financial assistance to eligible entities under the program.
27 The authority may provide financial assistance in the form
28 deemed most convenient for the efficient financing of projects,
29 including loans, forgivable loans, or grants. The authority
30 shall administer the fund and the program in such a manner
31 as to provide a permanent source of water quality project
32 financial assistance to eligible entities.

33 c. The authority may annually use an amount of not more
34 than one percent of the moneys in the fund for administrative
35 purposes.

1 2. *a.* The authority may establish and maintain other
2 funds and accounts determined to be necessary to carry out the
3 purposes of the program and shall provide for the funding,
4 administration, investment, restrictions, and disposition of
5 the funds and accounts.

6 *b.* Moneys appropriated to and used by the authority for
7 purposes of paying the costs and expenses associated with
8 the administration of the program shall be administered as
9 determined by the authority.

10 *c.* All moneys transferred to the authority for purposes of
11 the program shall be deposited and held in a fund or account
12 established and maintained pursuant to this section.

13 3. The funds or accounts held by the authority, or a trustee
14 acting on behalf of the authority pursuant to a trust agreement
15 related to the program, shall not be considered part of the
16 general fund of the state, are not subject to appropriation for
17 any other purpose by the general assembly, and in determining
18 a general fund balance shall not be included in the general
19 fund of the state, but shall remain in the funds and accounts
20 maintained by the authority or trustee pursuant to a trust
21 agreement. Funds and accounts held by the authority, or a
22 trustee acting on behalf of the authority pursuant to a trust
23 agreement related to the program, are separate dedicated funds
24 and accounts under the administration and control of the
25 authority and subject to section 16.31.

26 4. By October 1, 2018, and by October 1 of each year
27 thereafter, the authority shall submit a report to the governor
28 and the general assembly itemizing expenditures from the fund
29 during the previous fiscal year.

30 Sec. 8. NEW SECTION. 16.145 Eligible entities — agreements
31 required.

32 1. An eligible entity may apply to the authority for
33 financial assistance under the program by submitting a plan
34 that meets the following requirements:

35 *a.* The plan includes one or more projects that improve

1 water quality in the local area or watershed. Projects shall
2 use practices identified in the latest version of the document
3 entitled "Iowa Nutrient Reduction Strategy" initially presented
4 in November 2012 by the department of agriculture and land
5 stewardship, the department of natural resources, and Iowa
6 state university of science and technology. A drainage or
7 levee district established under chapter 468 shall utilize the
8 installation of edge-of-field infrastructure as described in
9 section 466B.43.

10 *b.* The plan describes in detail the manner in which the
11 projects will be financed and undertaken, including, as
12 applicable, the sources of revenue directed to financing the
13 improvements as well as the eligible entities that will be
14 receiving the revenues and how such revenues will be spent on
15 the projects.

16 2. The authority shall review and approve or deny
17 applications for financial assistance. The provision of
18 financial assistance under the program shall take into account,
19 as applicable, the number of municipalities, landowners, public
20 utilities, rural water districts, or rural water associations
21 comprising an eligible entity and the eligible entity's
22 financing capacity. The authority shall score applications
23 for financial assistance according to rules adopted pursuant
24 to this part. The authority shall only provide financial
25 assistance to eligible entities that have sufficient financing
26 capacity and that submit an appropriate plan designed to
27 improve water quality.

28 3. An approved eligible entity shall enter into an agreement
29 with the authority for the provision of financial assistance.
30 The agreement shall include standard terms for the receipt
31 of program moneys and any other terms the authority deems
32 necessary or convenient for the efficient administration of the
33 program.

34 Sec. 9. Section 423.3, Code 2017, is amended by adding the
35 following new subsection:

1 NEW SUBSECTION. 103. a. The sales price from the sale or
2 furnishing by a water utility of a water service in the state
3 to consumers or users.

4 b. For purposes of this subsection:

5 (1) "*Water service*" means the delivery of water by piped
6 distribution system.

7 (2) "*Water utility*" means a public utility as defined in
8 section 476.1 that furnishes water by piped distribution system
9 to the public for compensation.

10 Sec. 10. NEW SECTION. 423G.1 Short title.

11 This chapter may be cited as the "*Water Service Tax Act*".

12 Sec. 11. NEW SECTION. 423G.2 Definitions.

13 1. All words and phrases used in this chapter and defined in
14 section 423.1 have the same meaning given them by section 423.1
15 for purposes of this chapter.

16 2. As used in this chapter, "*water service*" and "*water*
17 *utility*" mean the same as defined in section 423.3, subsection
18 103.

19 Sec. 12. NEW SECTION. 423G.3 Water service tax.

20 An excise tax at the rate of six percent is imposed on the
21 sales price from the sale or furnishing by a water utility of a
22 water service in the state to consumers or users.

23 Sec. 13. NEW SECTION. 423G.4 Exemptions.

24 The sales price from transactions exempt from state sales
25 tax under section 423.3, except section 423.3, subsection 103,
26 is also exempt from the tax imposed by this chapter.

27 Sec. 14. NEW SECTION. 423G.5 Administration by director.

28 1. The director of revenue shall administer the water
29 service tax as nearly as possible in conjunction with the
30 administration of the state sales and use tax law, except that
31 portion of the law that implements the streamlined sales and
32 use tax agreement. The director shall provide appropriate
33 forms, or provide on the regular state tax forms, for reporting
34 water service tax liability.

35 2. The director may require all persons who are engaged

1 in the business of deriving any sales price or purchase
2 price subject to tax under this chapter to register with
3 the department. The director may also require a tax permit
4 applicable only to this chapter for any retailer not
5 collecting, or any user not paying, taxes under chapter 423.
6 3. Section 422.25, subsection 4, sections 422.30, 422.67,
7 and 422.68, section 422.69, subsection 1, sections 422.70,
8 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
9 1, and sections 423.23, 423.24, 423.25, 423.31 through
10 423.35, 423.37 through 423.42, and 423.47, consistent with the
11 provisions of this chapter, shall apply with respect to the tax
12 authorized under this chapter, in the same manner and with the
13 same effect as if the excise taxes on the sale or furnishing of
14 a water service were retail sales taxes within the meaning of
15 those statutes. Notwithstanding this subsection, the director
16 shall provide for quarterly filing of returns and for other
17 than quarterly filing of returns both as prescribed in section
18 423.31. All taxes collected under this chapter by a retailer
19 or any user are deemed to be held in trust for the state of
20 Iowa.

21 Sec. 15. NEW SECTION. **423G.6 Deposit of revenues.**

22 1. All moneys received and all refunds shall be deposited in
23 or withdrawn from the general fund of the state.

24 2. Subsequent to the deposit in the general fund of the
25 state, the department shall transfer the following amounts to
26 the water quality financial assistance fund created in section
27 16.134A:

28 *a.* For revenues collected on or after July 1, 2017, but
29 before August 1, 2018, one-sixth of the revenues.

30 *b.* For revenues collected on or after August 1, 2018, but
31 before August 1, 2019, one-third of the revenues.

32 *c.* For revenues collected on or after August 1, 2019, but
33 before August 1, 2020, one-half of the revenues.

34 *d.* For revenues collected on or after August 1, 2020, but
35 before August 1, 2021, two-thirds of the revenues.

1 e. For revenues collected on or after August 1, 2021, but
2 before August 1, 2022, five-sixths of the revenues.

3 f. For revenues collected on or after August 1, 2022, one
4 hundred percent of the revenues.

5 Sec. 16. NEW SECTION. **423G.7 Future repeal.**

6 This chapter is repealed upon the occurrence of one of the
7 following, whichever is earlier:

8 1. The enactment date that the tax rate for the sales
9 tax imposed upon the retail sales price of tangible personal
10 property and the furnishing of enumerated services sold in this
11 state in effect on July 1, 2016, is increased.

12 2. July 1, 2029.

13 Sec. 17. NEW SECTION. **466B.43 Water quality agriculture
14 infrastructure programs.**

15 1. As part of the water quality initiative established
16 pursuant to section 466B.42, the division shall administer
17 water quality agriculture infrastructure programs created in
18 this section.

19 2. The purpose of the programs is to support projects for
20 the installation of infrastructure, including conservation
21 structures, practices, or other measures that reduce
22 contributing nutrient loads, associated sediment, or
23 contaminants from sources to surface waters. The programs
24 shall be administered in a manner that is consistent with
25 the latest version of the "Iowa Nutrient Reduction Strategy"
26 initially presented in November 2012 by the department of
27 agriculture and land stewardship, the department of natural
28 resources, and Iowa state university of science and technology.

29 3. An edge-of-field infrastructure program is created.
30 The program shall support projects located on agricultural
31 land, which may include demonstration projects, that capture
32 or filter nutrients entering into a surface water. The
33 program's projects shall be limited to infrastructure designed
34 and installed for use over multiple years, including but not
35 limited to wetlands, bioreactor systems, saturated buffers,

1 or land use changes. The program shall be financed on a
2 cost-share basis.

3 4. An in-field infrastructure program is created. The
4 program shall support projects located on agricultural land,
5 which may include demonstration projects, that decrease erosion
6 and precipitation-induced surface runoff, increase water
7 infiltration rates, and increase soil sustainability. The
8 program's projects shall be limited to infrastructure designed
9 and installed for use over multiple years, including but not
10 limited to structures, terraces, and waterways located on
11 cropland or pastureland, and including but not limited to soil
12 conservation or erosion control structures or managed drainage
13 systems. The program shall be financed on a cost-share basis.

14 5. Any state moneys used to finance a project under a
15 water quality agriculture infrastructure program shall be
16 administered according to an agreement entered into by the
17 division and the owner of the land where the infrastructure
18 is to be installed. The agreement shall include standard
19 terms and conditions for the receipt of program moneys and
20 any other terms and conditions the division deems necessary
21 or convenient for the efficient administration of the project
22 or program. The division may support multiple installations
23 of infrastructure on a single parcel of land. The division
24 may also combine programs if cost effective. The division
25 may annually use an amount of not more than four percent of
26 the moneys used to support each program for administrative
27 purposes.

28 6. By October 1, 2018, and each October 1, thereafter, the
29 division shall submit a report to the governor and the general
30 assembly itemizing expenditures, by hydrologic unit code 8
31 watershed, under the programs during the previous fiscal year.

32 7. Any information obtained by the division identifying
33 a person holding a legal interest in agricultural land or
34 specific agricultural land shall be a confidential record under
35 section 22.7.

1 Sec. 18. NEW SECTION. **466B.44 Water quality urban**
2 **infrastructure program.**

3 1. As part of the water quality initiative established
4 pursuant to section 466B.42, the division shall administer a
5 water quality urban infrastructure program.

6 2. The purpose of the program is to support watershed
7 projects and advance implementation of the latest version of
8 the "Iowa Nutrient Reduction Strategy" initially presented
9 in November 2012 by the department of agriculture and land
10 stewardship, the department of natural resources, and Iowa
11 state university of science and technology, which program
12 support may include demonstration projects that decrease
13 erosion, precipitation-induced surface runoff, and storm
14 water discharges and that increase water infiltration rates.
15 The program's projects shall be based on Iowa's storm water
16 management manual published by the department of natural
17 resources.

18 3. The program shall be financed on a cost-share basis or
19 through cooperative agreements with watershed projects funded
20 through section 455B.199 whose project activities fall outside
21 the territorial boundaries of a city.

22 4. Any state moneys used to finance a project under a water
23 quality urban infrastructure program shall be administered
24 according to an agreement entered into by the division and the
25 owner of the land where the infrastructure is to be installed.
26 The agreement shall include standard terms and conditions
27 for the receipt of program moneys and any other terms and
28 conditions the division deems necessary or convenient for
29 the efficient administration of the project or program. The
30 division may support multiple installations of infrastructure
31 on a single parcel of land. The division may annually use an
32 amount of not more than four percent of the moneys used to
33 support the program for administrative purposes.

34 5. Notwithstanding any other provision in this section
35 to the contrary, beginning on July 1, 2019, the division may

1 use any amount available to support the water quality urban
2 infrastructure program to instead support the three-year data
3 collection of in-field agricultural practices project as
4 enacted in 2015 Iowa Acts, ch. 132, §18.

5 6. Notwithstanding any other provision of this section
6 to the contrary, the division may use any amount available
7 to support the water quality urban infrastructure program to
8 develop and maintain an online resource displaying measurable
9 indicators of desirable change in water quality within the
10 state's watersheds. These measurable indicators may include
11 but are not limited to public and private funding inputs,
12 involvement in water quality projects, and improvements, land
13 use, practice adoption, calculated load reduction, and measured
14 loads at existing monitoring stations.

15 7. By October 1, 2018, and by October 1 of each year
16 thereafter, the division shall submit a report to the governor
17 and the general assembly itemizing expenditures under the
18 program during the previous fiscal year.

19 8. Any information obtained by the division identifying a
20 person holding a legal interest in land or specific land shall
21 be a confidential record under section 22.7.

22 EXPLANATION

23 The inclusion of this explanation does not constitute agreement with
24 the explanation's substance by the members of the general assembly.

25 This bill relates to water quality by modifying an existing
26 wastewater treatment program, establishing new water quality
27 programs, providing for appropriations from the rebuild Iowa
28 infrastructure fund and making other appropriations, and
29 creating a water service excise tax and related sales tax
30 exemption.

31 REBUILD IOWA INFRASTRUCTURE FUND APPROPRIATIONS FOR WATER
32 QUALITY AGRICULTURE INFRASTRUCTURE PROGRAMS.

33 RIIF appropriations — The bill provides for a total of
34 \$229.1 million of appropriations over 13 fiscal years from
35 the rebuild Iowa infrastructure fund in Code section 8.57 to

1 a water quality infrastructure fund created in the bill (Code
2 section 8.57B) to be used by the division of soil conservation
3 and water quality of the department of agriculture and land
4 stewardship (soil and water division) in administering
5 two new water quality agriculture infrastructure programs,
6 described below. The appropriations shall be as follows: \$4.3
7 million for fiscal year 2017-2018; \$4.3 million for fiscal
8 year 2018-2019; \$11.5 million for fiscal year 2019-2020;
9 \$16.5 million per fiscal year for the two-year fiscal period
10 beginning July 1, 2020, and ending June 30, 2022; and \$22
11 million per fiscal year for the eight-year fiscal period
12 beginning July 1, 2022, and ending June 30, 2030. The water
13 quality infrastructure fund is repealed on the date that
14 all moneys transferred to the fund from the rebuild Iowa
15 infrastructure fund as provided in the bill, including any
16 interest or earnings on such moneys credited to the fund, are
17 expended by the soil and water division, and the balance of the
18 fund is zero.

19 Water quality agriculture infrastructure programs — As
20 part of the existing water quality initiative of the soil and
21 water division in Code section 466B.42, the bill establishes
22 two water quality agriculture infrastructure programs (Code
23 section 466B.43), consisting of an edge-of-field infrastructure
24 program and an in-field infrastructure program, that will
25 provide financing on a cost-share basis to certain agriculture
26 infrastructure projects, including demonstration projects.
27 The edge-of-field program will support projects that capture
28 or filter nutrients entering into surface water. The bill
29 includes wetlands, bioreactor systems, saturated buffers, and
30 land use changes as examples of projects that may qualify.
31 The in-field infrastructure program will support projects
32 that decrease erosion and precipitation-induced surface
33 runoff, increase water infiltration rates, and increase soil
34 sustainability. The bill includes structures, terraces,
35 waterways located on cropland or pastureland, and soil

1 conservation or erosion control structures or managed drainage
2 systems as examples of projects that may qualify.

3 The bill provides for the purpose of the programs and
4 requires that the programs be administered in a manner that
5 is consistent with the latest version of the Iowa nutrient
6 reduction strategy initially presented in November 2012 by the
7 department of agriculture and land stewardship, the department
8 of natural resources, and Iowa state university of science
9 and technology (nutrient reduction strategy). Both programs
10 require that projects be located on agricultural land and limit
11 projects to infrastructure designed and installed for use over
12 multiple years. The bill requires that the soil and water
13 division and landowners enter into agreements for financing
14 projects under the programs, provides that the soil and water
15 division may support multiple installations of infrastructure
16 on a single parcel of land, and provides that the two programs
17 may be combined by the soil and water division if it is cost
18 effective to do so. The soil and water division is allowed
19 to annually use up to 4 percent of the programs' moneys for
20 administrative purposes. Beginning in 2018, the soil and
21 water division is required to submit a report by October 1 of
22 each year to the general assembly and the governor detailing
23 expenditures for the previous fiscal year under the programs
24 by hydrologic unit code 8 watershed. The bill provides that
25 certain information related to agricultural land and obtained
26 by the soil and water division under the programs shall be
27 considered a confidential record under Code section 22.7.

28 WATER SERVICE EXCISE TAX FOR CERTAIN WATER QUALITY PROGRAMS.
29 Water service excise tax and related sales tax exemption —
30 The bill exempts from the state sales tax the sales price from
31 the sale or furnishing by a water utility of a water service in
32 the state to consumers or users. "Water service" and "water
33 utility" are defined in the bill.

34 By operation of Code section 423.6, an item exempt from the
35 imposition of the sales tax is also exempt from the use tax

1 imposed in Code section 423.5.

2 The bill creates an excise tax at the rate of 6 percent
3 on the sales price from the sale or furnishing by a water
4 utility of a water service in the state to consumers or users
5 (Code chapter 423G). The director of revenue is required
6 to administer the water service tax as nearly as possible
7 in conjunction with the administration of the state sales
8 and use tax laws, and, to that end, the bill incorporates by
9 reference numerous Code sections that relate to general tax
10 administration and the sales and use tax laws.

11 Water service tax revenues are deposited in the general
12 fund of the state, and the bill then requires an increasing
13 portion of the water service tax revenues collected each year
14 to be transferred to a water quality financial assistance fund
15 created in the bill (Code section 16.134A) to support various
16 water quality programs, described below. Transfers to the
17 water quality financial assistance fund equal one-sixth of
18 the water service tax revenues collected on or after July 1,
19 2017, but before August 1, 2018, and increases to one-third,
20 one-half, two-thirds, and five-sixths over the next four years.
21 All water service tax revenues collected on or after August
22 1, 2022, will be transferred to the water quality financial
23 assistance fund.

24 The water service tax is repealed on the enactment date
25 that the state sales tax rate in effect on July 1, 2016, is
26 increased, or on July 1, 2029, whichever occurs earlier.

27 Water service tax revenues transferred to the water quality
28 financial assistance fund are then appropriated from the
29 fund as follows: 40 percent is appropriated to the Iowa
30 finance authority (IFA) to support the wastewater and drinking
31 water treatment financial assistance program in Code section
32 16.134, 45 percent is appropriated to IFA to support the water
33 quality financing program created in the bill (Code sections
34 16.142 through 16.145), and 15 percent is appropriated to the
35 soil and water division to support the water quality urban

1 infrastructure program created in the bill (Code section
2 466B.44).

3 Wastewater and drinking water treatment financial assistance
4 program — The bill amends the wastewater treatment financial
5 assistance program administered by IFA in Code section 16.134.
6 Currently, the program provides financial assistance in the
7 form of grants from IFA to disadvantaged communities to install
8 or upgrade wastewater treatment facilities and systems, and
9 for engineering or technical assistance for facility planning
10 and design. The bill adds drinking water treatment facilities
11 and systems, including source water protection projects, to
12 the program. The bill also removes the requirement that a
13 community qualify as a disadvantaged community in order to
14 receive financial assistance, instead providing that such
15 disadvantaged communities shall receive priority under the
16 program. The bill also modifies other priority designations
17 under the program and modifies goals of the program, and
18 provides that a utility management organization formed under
19 Code chapter 28E or operated by a rural water system organized
20 under Code chapter 357A or 504 shall be considered eligible for
21 financial assistance under the program. The bill also adds
22 reporting and review requirements to the program, modifies the
23 permitted use of fund moneys for administrative purposes, and
24 creates a water quality financing review committee consisting
25 of three members, as provided in the bill, to review and
26 approve applications for financial assistance under the
27 program. Finally, the bill requires IFA to submit a report by
28 October 1 of each year to the governor and general assembly
29 detailing expenditures for the previous year under the program,
30 and creates a program review committee consisting of eight
31 members, as provided in the bill, to review the effectiveness
32 of the program every 10 years, beginning in 2027.

33 Water quality financing program (Code sections 16.142
34 through 16.145) — This program provides financial assistance
35 in the form of loans, forgivable loans, and grants to enhance

1 the quality of surface water and groundwater, particularly
2 by providing financial assistance for projects designed
3 to improve water quality by addressing point and nonpoint
4 sources. The program is administered by IFA in cooperation
5 with the department of natural resources and the department of
6 agriculture and land stewardship. The bill creates a water
7 quality financing program fund administered by IFA to provide
8 financial assistance under the program. The bill allows IFA
9 to establish and maintain other funds and accounts necessary
10 to carry out the purposes of the program. Under the program,
11 an eligible entity is a municipality, as defined in the bill,
12 or a landowner, public utility, or rural water district or
13 rural water association. The bill provides certain application
14 requirements regarding a plan for water quality improvement and
15 financing and requires loan recipients to enter into agreements
16 with IFA for terms of the financial assistance.

17 In order to be eligible for financial assistance, a proposed
18 project must improve water quality in the local area or
19 watershed using practices identified in the Iowa nutrient
20 reduction strategy. Drainage and levee districts are required
21 to utilize installations described in the edge-of-field
22 infrastructure program (Code section 466B.43), discussed above.
23 IFA reviews proposed projects, negotiates project details, and
24 approves or denies applications.

25 Beginning in 2018, IFA is required to submit a report by
26 October 1 of each year to the general assembly and the governor
27 detailing expenditures from the fund for the previous fiscal
28 year.

29 Water quality urban infrastructure program (Code section
30 466B.44) — As part of the existing water quality initiative
31 of the soil and water division in Code section 466B.42, the
32 bill creates a water quality urban infrastructure program
33 to support watershed projects and advance implementation
34 of the Iowa nutrient reduction strategy. Program support
35 may include demonstration projects that decrease erosion,

1 precipitation-induced surface runoff, and storm water
2 discharges and that increase water infiltration rates.
3 Projects shall be based on Iowa's storm water management manual
4 published by the department of natural resources. Financial
5 assistance is provided on a cost-share basis or through
6 cooperative agreements with certain watersheds as described
7 in the bill. The bill requires the soil and water division
8 and landowners to enter into agreements for financing projects
9 under the program, and provides that the soil and water
10 division may support multiple installations of infrastructure
11 on a single parcel of land. The soil and water division is
12 allowed to annually use up to 4 percent of the program's moneys
13 for administrative purposes.

14 The soil and water division may use any amount available
15 under the program to develop and maintain an online resource
16 displaying measurable indicators of desirable change in water
17 quality within the state's watersheds, and beginning July 1,
18 2019, may use any amount available under the program to support
19 the three-year data collection of the in-field agricultural
20 practices project as enacted in 2015 Iowa Acts, ch. 132, §18.

21 Beginning in 2018, the soil and water division is required
22 to submit a report by October 1 of each year to the general
23 assembly and the governor detailing expenditures for the
24 previous fiscal year under the program. The bill provides that
25 certain information related to the land and obtained by the
26 soil and water division under the program shall be considered a
27 confidential record under Code section 22.7.